

mechanism of a free and open market, and protect investors and the public interest. The Commission believes that the CBOE's proposal is appropriate to achieve Rule 6.9's primary purpose of facilitating and regulating solicited transactions without imposing undue restrictions on trading, particularly anticipatory hedge transactions. Under the present rule, once a solicited party has indicated, in response to a solicitation, an intention to place a matching responsive order, such a solicited party may not trade based on knowledge of the impending solicited transaction, even though the original order has been fully disclosed to the crowd, until the solicited order is also disclosed.

The Commission notes that paragraph (e) does not restrict trading by other CBOE members who know the terms of a disclosed original order but who, if solicited, have not indicated an intention to trade at the original order's limit and who are otherwise unaware of any specific matching solicited order. Indeed, such parties may trade under the current rule even though they have good reason to believe that an execution of the original order is imminent based on market circumstances.

The Commission believes that once the terms and conditions of an original order, as well as any changes to the terms and conditions of the original order of which the member or associated person has knowledge,⁹ are fully disclosed to the trading crowd, those in the crowd have essentially the same market information as do solicited persons. Moreover, any solicited person who has privately indicated an intention to place a responsive order, and anyone aware of that intention, necessarily remains subject to the risks of the market and the auction process when entering a responsive order or effecting anticipatory trades.

The Commission further believes that the narrower disclosure requirement before granting relief from the trading restrictions described above will provide the trading crowd with a fair and full opportunity to make informed trading decisions without subjecting solicited parties and the solicitation process to overly burdensome

restrictions. Nevertheless, the Commission notes that this narrower disclosure requirement does not relieve market participants of the general CBOE requirement that their acts and practices be consistent with just and equitable principles of trade.¹⁰ Thus, disclosing the terms and conditions of the original order, and any changes in the terms and conditions of the original order, to the crowd prior to effecting a trade does not provide a safe harbor from possible violations of front-running prohibitions. The Commission understands that the Exchange will issue a regulatory circular to its members describing the revisions to its solicitations rule.

Finally, the Commission notes that the Exchange's proposal relates only to the provision in the solicitations rule that restricts trading based on knowledge of an imminent undisclosed transaction. Thus, the Exchange's proposal does not affect the priority rules governing solicited transactions.¹¹

The Commission finds good cause for approving Amendment No. 1 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Amendment No. 1 revises Paragraph (e) of Rule 6.9 by making it clear that any change in the terms and conditions of the original order must be disclosed to the crowd before a member or associated person with knowledge of such terms and conditions can enter into related transactions. Amendment No. 1 also adds Interpretation .06 to Rule 6.9 to make clear that Paragraph (e) of Rule 6.9 does not provide a safe harbor from possible violations of front-running prohibitions.¹²

The Commission believes that these changes serve to strengthen and clarify the Exchange's proposals. Specifically, the revision to Rule 6.9, Paragraph (e) addresses the concern that if changes to the original order have not been disclosed to the trading crowd, then the trading crowd would be at a disadvantage relative to the solicited party who has knowledge of the changes to the terms of the original order. New Interpretation .06 clarifies that CBOE

Rule 4.1 continues to be applicable to Rule 6.9, notwithstanding the provisions of Paragraph (e) of Rule 6.9. Accordingly, the Commission believes that Amendment No. 1 raises no new or unique regulatory issues. Therefore, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act¹³ to approve Amendment No. 1 to the proposal on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. § 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-95-07 and should be submitted by September 22, 1995.

V. Conclusion

For the reasons discussed above, the Commission finds that the proposal, as amended, is consistent with the Act, and, in particular, Section 6 of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (File No. SR-CBOE-95-07), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,

Deputy Secretary.

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¹⁰ See CBOE Rule 4.1.

¹¹ For example, under the priority rules, when an original order is disclosed in advance of a solicitation, and the matching order both matches the disclosed original order's limit and improves the market, the matching order has priority over other orders in the crowd (subject to customer limit order book priorities set forth in Rule 6.45). See CBOE Rule 6.9(b). Similarly, when a matching order does not match the original order's limit and does not improve the market, it does not have priority over other bids and offers represented in the crowd even if the original order was disclosed to the crowd for the full solicitation period. See CBOE Rule 6.9(c).

¹² See Amendment No. 1, *supra* note 4.

¹³ 15 U.S.C. 78f(b)(5) and 78s(b)(2) (1988).

¹⁴ 15 U.S.C. 78s(b)(2) (1988).

¹⁵ 17 CFR 200.30-3(a)(12) (1994).

⁹ *Id.* If the changes to the original order were not disclosed to the trading crowd, then the trading crowd would still be at a disadvantage to the solicited person who did have knowledge of the changes to the terms of the original order. The solicited person with knowledge of the changes to the original order then would have the opportunity to benefit from this knowledge that the trading crowd did not have. Thus, under the CBOE's proposal, all trading based on that knowledge is prohibited until the information is disclosed to the trading crowd. *Id.*

[Release No. 34-36160; International Series Release No. 845; File No. SR-CBOE-95-45]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 To Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to the Listing and Trading of Options on the Mexico 30 Index

August 28, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on August 21, 1995, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The CBOE proposes to provide for the listing and trading on the Exchange of options on the Mexico 30 Index ("Mexico Index" or "Index"), a cash-settled broad-based index with European-style exercise. The CBOE amended the proposal on August 25, 1995 in order to provide more background information on the Mexican stock market and to establish additional Index maintenance criteria.¹

The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to permit the Exchange to list and trade cash-settled, European-style stock index options on the Mexico 30 Index.² The Index is comprised of 30 representative stocks of the Mexican Stock Exchange ("Bolsa").³ CBOE believes that options on the Index will provide investors with a low-cost means of participating in the performance of the Mexican economy and a hedging mechanism against the risk of investing in that economy. The CBOE represents that the Index is deemed to be an index option under Rule 24.2 and a broad-based index under Rule 24.1(i)(1).

Index Design. The Index was designed by and is maintained by the CBOE and the Chicago Mercantile Exchange ("CME"). CBOE represents that the 30 stocks comprising the Index were selected for their high market capitalization and their high degree of liquidity, and further believes that they are representative of the industrial composition of the broader Mexican equity market. The Mexico Index is composed of 15 broad industry groups, including building materials, diversified holding companies, and telecommunications.

The Index is weighted by the market capitalization of the component stocks, however, at the time of a semi-annual review (occurring after the close on expiration Fridays in December and June) the Index will be adjusted, if necessary, to ensure that no single component shall have a weight in the Index greater than 25%. For example, on June 16, 1995, the most recent review date, Telefonos de Mexico ("TMX") would have had a weight of 30.41% of the Index. To reduce TMX's weight, the Exchange reduced the number of outstanding TMX shares used in the calculation of the Index from 8.0375 billion to 6.1303 billion.

The total capitalization of the Index as of July 31, 1995 was \$46.21 billion,

² A European-style option may only be exercised during a specified period before expiration.

³ The components of the Index are Alfa SA-A; Apasco SA; Grupo Casa Autrey; Banacci-B; Grupo Carso-A1; Controla Com M-B; Cemex SA-B; Cifra SA-C; Desc SA-B; Empresas Moderna-A; Fomento Econ M-B; Grupo Embotelladoro Mexico; Grupo Financiero Bancomer-B; Grupo Financiero Serfina-B; Grupo Gigante; Grupo Modelo-C; Grupo Mexico-B; Grupo Tribasa-CPO; Hylsamex SA-BCP; Empresas ICA; Iusacell; Kimberly-Clark M-A; Coca-Cola Femsa; Grupo Industrial Maseca-B; Grupo Sidek-B; Tubos De Acero; Telefonos De Mexico-L; Tolmex SA-B2; Grupo Telev-CPP; Vitro SA.

which represents 49.35% of the overall capitalization of the Mexican Bolsa. The median capitalization of the stocks in the Index on July 31, 1995, was 4.507 billion Pesos (\$737 million at the exchange rate of 6.115 pesos per dollar prevailing on July 31, 1995). The average market capitalization of these stocks was \$1.54 billion on the same date (using the same rate of exchange). The individual market capitalization of these stocks ranged from \$156 million (Grupo Sidek-B) to \$13.3 billion (Telmex) on July 31, 1995. The largest stock accounted for 23.61% of the Index, while the smallest accounted for 0.36%. The top five stocks in the Index by weight accounted for 55.02% of the Index. CBOE represents that upon each semi-annual review of the Index, the Exchange shall make any necessary modifications to ensure that the top three weighted stocks in the Index by weight may not account for more than 45% of the Index at the time of a semi-annual review.⁴ The average daily volume in the component securities for the period from February 1995 through July 1995, ranged from a low of approximately 9,270 shares to a high of 14,123,392 shares, with an average daily trading volume for all components of the Index of approximately 1,479,390 shares per day.

Calculation. The value of the Index is determined by multiplying the price of each stock times the number of shares outstanding, adding those sums and dividing by a divisor which gives the Index a value of 200 on its base date of January 3, 1995. This divisor is adjusted for pertinent changes as described below in the section titled "Maintenance." The Index had a closing value of 203.07 on July 31, 1995.

Maintenance. The Index will be maintained by the CBOE and CME. To maintain continuity of the Index, the divisor of the Index will be adjusted to reflect certain events relating to the component stocks. These events include, but are not limited to, changes in the number of shares outstanding, spin-offs, certain rights issuances, and mergers and acquisitions. The composition of the Index will be reviewed periodically and the Exchanges may make component changes at any time.

Index Option Trading. The Exchange proposes to base trading in options on the Index on the full value of the Index as expressed in U.S. Dollars. The Exchange also may provide for the listing of full-value long-term index

⁴ See Amendment No. 1. As of July 31, 1995, the top three stocks represented 43.6% of the weight of the Index.

¹ See Letter from Eileen Smith, CBOE, to Steve Youhn, SEC, dated August 25, 1995.

option series ("LEAPS®") and reduced-value LEAPS on the Index. For reduced-value LEAPS, the underlying value would be computed at one-tenth of the value of the Index. The current and closing index value of any such reduced-value LEAP will, after such initial computation, be rounded to the nearest one-hundredth. The trading hours for options on the Index will be from 8:30 a.m. Chicago time to 3:15 Chicago time. Bridge Information Systems ("Bridge") will calculate the value of the Index every fifteen seconds throughout the trading day and disseminate the Index value through the Options Price Reporting Authority ("OPRA").⁵ Bridge obtains quotes and trade information on a real-time basis directly through the Bolsa through an electronic feed. Accordingly, the value of the Index will be based upon the prices of the components as traded or quoted on the Bolsa.⁶ Finally, CBOE represents that it has the necessary systems capacity to support new series that would result from the introduction of Mexico 30 Index options. CBOE has been informed that OPRA has the capacity to support such new series.⁷

Exercise and Settlement. The trading hours of the Bolsa are the same as those of the New York Stock Exchange, 8:30 a.m. through 3:00 p.m. Chicago time. The proposed options on the Index will expire on the Saturday following the third Friday of the expiration month and trading in the expiring contract month on CBOE will normally cease on Friday at 3:15 p.m. (Chicago time) unless a holiday occurs. The exercise settlement value of Index options at expiration will be determined at the close of the regular Friday trading sessions in Mexico. If a stock does not trade during this interval or if it fails to open for trading, the last available price of the stock will be used in the calculation of the Index. When expirations are moved in accordance with Exchange holidays, such as when the CBOE is closed on the Friday before expiration, the last trading day for expiring options will be Thursday and the exercise settlement value of Index options at expiration will be determined at the close of the regular Thursday trading sessions in Mexico even if the Mexican markets are open on Friday. If the Mexican markets will be closed on the Friday before expiration but the CBOE will not, the last trading day for expiring options will be Thursday.

Surveillance Agreements. The Exchange expects to apply its existing index option surveillance procedures to Index options. In addition, the Exchange is aware of a Memorandum of Understanding ("MOU") between the Commission and the Comisión Nacional Bancaria y de Valores. This MOU will enable the Commission to obtain information concerning the trading of the component stocks of the Mexico 30 Index. The Exchange also will make every effort to enter into an effective surveillance agreement with the Bolsa.

Position Limits. The Exchange is proposing to establish position limits for Mexico 30 Index options equal to 50,000 contracts on the same side of the market, with no more than 30,000 contracts in the series with the nearest expiration date. According to the Exchange, these limits are roughly equivalent, in dollar terms, to the limits applicable to options on other indices. Ten reduced-value options will equal one full-value contract for such purposes.

Exchange Rules Applicable. Except as modified herein, the Rules in Chapter XXIV will be applicable to Mexico 30 Index options.

2. Statutory Basis

CBOE believes the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it will permit trading in options based on the Mexico 30 Index pursuant to rules designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and thereby will provide investors with the ability to invest in options based on an additional index.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes the proposed rule change will impose no burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer

period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-95-45 and should be submitted by September 22, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-21701 Filed 8-31-95; 8:45 am]

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[Release No. 34-36156; File No. SR-NYSE-95-22]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to the Exchange's Wireless Data Communications Initiatives

August 25, 1995.

I. Introduction

On June 1, 1995, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") submitted to the Securities Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

⁸ 17 CFR 200.30-3(a)(12) (1994).

⁵ See Amendment No. 1.

⁶ Telephone conversation between Eileen Smith, CBOE, and Steve Youhn, SEC, on August 25, 1995.

⁷ See Letter from Joe Corrigan, OPRA, to Eileen Smith, CBOE, dated August 1, 1995.